

Alternate Benefit Program (ABP)

BENEFIT OPTIONS WHEN TERMINATING EMPLOYMENT



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***State of New Jersey
Division of Pensions and Benefits***

INTRODUCTION

This booklet has been designed to provide you with the information you will need to make informed decisions regarding your pension and benefits when you terminate employment. If you still have questions regarding your pension or benefits after reading the information provided, contact the Alternate Benefit Program administrator at the Division of Pensions and Benefits. You can reach the Alternate Benefit Program each business day at (609) 777-0887.

TABLE OF CONTENTS

Vesting	2
Terminating Employment	2
First Year Participants (delayed vesting)	2
Vested Participants	2
Retirement Information	3
ABP Retirement	3
Disability Options	4
Long-Term Disability Insurance	4
Group Life Insurance	5
Conversion of Life Insurance When Terminating Employment	5
Life Insurance At Retirement	5
Health Benefits Coverage	6
Health Benefits Coverage After Retirement	6
Health Benefits Coverage Under COBRA	7
Additional Tax Deferrals	8
Deferred Compensation Plan	8
Outstanding Loan Balances	9
Other Available Information	9
Important Phone Numbers	9
ABP Program Providers	10

VESTING

Members of the Alternate Benefit Program (ABP) are immediately vested when they join the ABP if they own an annuity contract that contains both employer and employee contributions based upon employment in a field of higher education. The annuity contract must be in force, that is, the employee is entitled to receive benefits at a future date. In addition, an active, or vested member of a State-administered retirement system in New Jersey who transfers their interest to the ABP upon joining the ABP is also immediately vested.

TERMINATING EMPLOYMENT

First-Year Participants (Delayed Vesting)

If a member does not own an existing contract (see Vesting, above) or has not transferred from another State of New Jersey-administered retirement system, employee and employer contributions required during the initial year of participation are held in a delayed vesting status.

If an employee does not continue eligible employment in the second year, the employee may apply for a refund of employee contributions. Employer contributions revert back to the employer.

Mandatory employee contributions to the Alternate Benefit Program are set at 5 percent of base salary. Your contributions may be made on a before-tax or after-tax basis.

Under Internal Revenue Service rules, contributions to the ABP that were made on a before-tax basis are taxable when refunded unless rolled over to another tax deferred account. Contact your annuity carrier for more information on refund and roll-over options.

Vested Participants

If a vested member discontinues employment in an ABP eligible title, the member retains full ownership of all contributions (employer and employee) and earnings in any annuity certificate(s) held with the member's chosen carrier(s).

A vested member's retirement account is transferable. The member will be considered retired and ineligible to re-enter the ABP if the member transfers their annuity certificate(s) to an annuity carrier that is outside of the ABP network. The member may not transfer the retirement account to a State of New Jersey-administered pension plan.

Under Internal Revenue Service rules, contributions to the ABP that were made on a before-tax basis are taxable at distribution. If you wish to avoid tax liability by transferring your funds to another tax deferred account, contact your annuity carrier for more information on transfer options.

If a vested member dies prior to retirement, the *total value* of the account, as well as any applicable group life insurance (see page 5), will be payable to the member's beneficiary. To report the death of a member, call the Division of Pensions and Benefits, Office of Client Services at (609) 292-7524. In addition, the deceased's annuity carrier must be notified. The methods for the payment of annuity accounts are determined by the annuity carriers. Contact your annuity carrier for more information regarding available death benefits.

RETIREMENT INFORMATION

ABP Retirement

A vested member of the ABP is entitled to receive a retirement benefit. There is no minimum age or service requirement for retirement eligibility. The retirement amount is based on the total value of the account (employer/employee contributions plus investment earnings), age, and the distribution option(s) selected.

Vested employees cannot receive benefits from ABP retirement investments to which the State of New Jersey has contributed as long as they are employed in a position covered by the ABP.

All the carriers participating in the ABP have developed fixed as well as variable payout options to meet the needs of most individuals. Whether a member decides to receive payments for his/her entire lifetime, provide a survivor benefit, attempt to keep pace with inflation, minimize income taxes, or receive funds in a lump sum, the choice is the member's. There are no specific cost-of-living provisions under the ABP.

With the vast array of investment options available, an ABP member should carefully review the prospectuses, contracts, and other literature offered by each carrier before deciding on any investment or retirement option.*

An application for retirement benefits must be filed directly with the annuity carrier. The carrier will send the member a description of the distribution options available and an application. The completed application should be returned to the carrier. The Division of Pensions and Benefits must also be notified of the retirement at least two months in advance to ensure State Health Benefit and life insurance continuation, if eligible. The employer must file a "Leave or Termination" memo with the Division of Pensions and Benefits.

** Be aware of the specific features, requirements, or restrictions on any retirement option. Your choices should be guided by such personal factors as your long-range goals, risk tolerance, and other financial assets.*

DISABILITY OPTIONS

Long-Term Disability Insurance

Under the Alternate Benefit Program, non-contributory long-term disability insurance provides protection for eligible employees against income loss due to total disability. There is no differentiation between service-connected (occupational) and nonservice-connected (nonoccupational) disability and the benefits are not payable for the life of the participant.

A member becomes eligible for long-term disability after completing one year of full-time continuous employment in an ABP eligible position. (Service transferred from PERS, TPAF, or PFRS counts toward the waiting period.)

After the claim is approved by the carrier (Prudential Insurance Company of America), benefits begin after six months of total disability and continue for the duration of the disability up to age 70 or the date retirement benefits begin. The benefit is equal to up to 60 percent of base salary and will be calculated using the 12 month base salary prior to the first month in which the member became ineligible to work. The benefit is offset by any benefits from Social Security or workers' compensation. In addition, pension contributions (both your contribution of 5 percent and the employer's contribution of 8 percent) are continued (for the duration of the disability up to age 70 or the date retirement benefits begin) to your allocated investment carrier(s) in an amount equal to the annual contribution paid at the time the disability began.

- While on long-term disability the non-contributory group life insurance benefit (see page 5) remains 3 1/2 times the base salary received in the 12 months prior to the disability.
- A member who is receiving long-term disability benefits under the ABP may continue health coverage with the State Health Benefits Program. Upon approval, the premiums will be paid by the ABP during the period the participant is receiving long-term disability benefits. The individual must arrange with the Division of Pensions and Benefits at the onset of the disability to continue coverage during the benefit period.

For the first year of disability, the participant will be considered totally disabled if unable to perform usual duties and is under the regular care of a physician. Total disability is not considered to exist if the participant is able to become gainfully employed. Long-term disability benefits will terminate if the participant is no longer considered totally disabled or leaves the U.S.A.

GROUP LIFE INSURANCE

Most ABP participants, during their active employment, are covered by a non-contributory group life insurance plan. If they are under age 70, the death benefit is equal to 3 1/2 times the last 12 months of base salary on which contributions were based. If they are age 70 or over, the death benefit is equal to 1/2 of the last 12 months of base salary on which pension contributions were based.

Conversion of Life Insurance When Terminating Employment

If a member terminates employment, without retiring, group life insurance coverage continues for 31 days after the termination date. Up until the end of the 31-day period, the member may convert group life insurance without medical examination to an individual policy offered by the carrier (Prudential).^{*} The premiums will be the same as the member would pay if he/she were applying for a private policy at his/her current age and will become effective at the end of the 31-day period.

If the member has not converted the insurance by the end of the 31-day period, the coverage will terminate.

Life Insurance at Retirement

Upon retirement, members are covered by a non-contributory group life insurance benefit equal to 1/2 of their salary in the last year of active service, if they meet all of the following conditions:

- They have 10 or more years of pension membership credit;
- they are at least age 60 at the time of retirement;
- they receive benefits from their annuity within 12 months of terminating employment;
- they are actively employed in the year before they retire; and
- they are covered by the ABP group insurance plan immediately before retirement.

Up until 31 days after the termination of employment, the member has the privilege of conversion, without medical examination, to an additional individual policy offered by the carrier (Prudential)^{*} for the amount by which the life insurance has been reduced. The premiums will be the same as you would pay if you were applying for a private policy at your current age and will become effective at the end of the 31-day period.

^{}Members can convert their group life insurance by calling the Prudential Insurance Company at 1-800-262-1112 (in New Jersey only) or by contacting a Prudential agent through their local Prudential office.*

HEALTH BENEFITS COVERAGE

Health Benefits Coverage After Retirement

Members who are state employees and have 25 or more years of service credit in the ABP before July 1, 1997, will have State Health Benefits Program premiums paid in full by the state during retirement, regardless of when they retire. Those employees who attain 25 years of service credit after July 1, 1997 will share in the cost of the premiums if they are enrolled in the Traditional Plan when they retire. The member's cost will be determined by the employee bargaining unit contracts in force at the time the member attains 25 years of service in the ABP.

Members with 25 or more years of service in the ABP before July 1, 1997 who are eligible, will have the prevailing Part B Medicare premium reimbursed by the state when they continue State Health Benefits coverage in retirement, regardless of their retirement date. Those who attain 25 years of service credit after July 1, 1997, will be reimbursed in accordance with the employee bargaining unit contracts in force at the time they attain 25 years of service in the ABP.

If a member retires without 25 or more years of service, from an employer who participates in the State Health Benefits Program, and the member had coverage continuous to their date of retirement, he/she may elect to enroll for continued health benefit coverage with the State Health Benefits Program and pay the monthly group rate premium. In order for the member to receive an enrollment package to continue health benefit coverage, the employer must file a "Leave or Termination" memo with the Division of Pensions and Benefits at least two months prior to the anticipated retirement date.

Members who retire with State Health Benefits Program coverage may also have coverage for non-core health benefits such as prescription drug, dental, or vision as employees. These non-core benefits terminate at retirement. Members have the opportunity under federal COBRA law to continue these benefits for up to 18 months by paying the monthly premiums, provided they had the coverage as an active employee. For more information see the COBRA section (page 7).

Members who retire without 25 or more years of service from an employer who does not participate in the State Health Benefits Program, should see their employer to determine if they are eligible for any continued health benefits coverage.

Members without retired health benefits may have the opportunity, under federal COBRA law, to continue their benefits for up to 18 months by paying the monthly premiums, provided they had the coverage as an active employee. For more information see the COBRA section (page 7).

Health Benefits Coverage After Termination Under COBRA

(COBRA - *Consolidated Omnibus Budget Reconciliation Act*)

When a member terminates employment, he/she may be eligible for continuation of health care coverage under federal legislation (COBRA) for up to 18 months. Under COBRA, you may purchase your employer's group coverage after you leave employment, provided you had coverage as an active employee. You pay the full cost of the coverage plus a 2 percent administration fee.

IMPORTANT

- ✓ You must file for COBRA within 60 days of the date your health coverage is terminated. If you do not file within the 60-day period, you lose your right to continue coverage.
- ✓ Your employer must provide you with a COBRA notice, application, rate chart, and instruction sheet within 14 days of being notified of your termination of employment. If you have not received this information, contact your benefits administrator.
- ✓ You may also continue any non-core health benefits such as prescription drug, dental, or vision under COBRA for up to 18 months, provided you have the coverage as an active employee.
- ✓ If you are eligible for Medicare, you can not normally continue your medical coverage under the COBRA program. Employees, however, will be allowed to continue their non-core health benefits, if eligible.
- ✓ After you complete your COBRA eligibility, you may be able to convert your COBRA health care coverage to private insurance.

ADDITIONAL TAX DEFERRALS

The ABP permits additional tax-deferred contributions to be made to **ABP investment carrier account(s)** at an amount over and above the 5 percent required employee contribution. Under the voluntary 403(b) component of the program, members may make additional contributions on a tax-deferred basis.

Under Internal Revenue Service rules, contributions to ABP investment carriers that were made on a tax-deferred basis are taxable when taken as an ABP retirement, or refunded, unless rolled over to another tax deferred account. Contact your annuity carrier for more information on refund and roll-over options.

Deferred Compensation Plan

If you participate in the **STATE EMPLOYEES DEFERRED COMPENSATION PLAN**, the following regulations apply when you terminate employment:

- ✓ ***IF YOU ARE NOT ELIGIBLE FOR AN IMMEDIATE RETIREMENT***, account distribution must begin no later than 60 days into the year following your termination date.
- ✓ ***IF YOU ARE ELIGIBLE FOR AN IMMEDIATE RETIREMENT***, you can immediately receive payment or delay distribution until 60 days into the year following the year you retire.

YOU CAN TAKE YOUR MONEY...

- IN ONE LUMP SUM;
- IN INSTALLMENTS*; or
- A COMBINATION OF A LUMP SUM, FOLLOWED BY INSTALLMENTS*.

*(if your account value is at least \$5,000).

Contact the Deferred Compensation office at the Division of Pensions and Benefits at (609) 292-3605 for a Deferred Compensation Distribution form before you terminate employment. The Deferred Compensation Distribution form must be filed within 60 days of your termination date.

OUTSTANDING LOAN BALANCES

Vested members of the ABP are eligible to receive loans based on their account balances. The amount, frequency, and interest rates of loans vary among carriers.

Members with outstanding loan balances should contact their investment carrier(s) for loan information and repayment procedures.

OTHER AVAILABLE INFORMATION

Due to the nature of termination from employment and investment options available through participating ABP carriers, each member's situation is different. If you need further information regarding your specific circumstances, use the numbers listed below to contact your ABP carrier or the Alternate Benefit Program at the Division of Pensions and Benefits.

IMPORTANT PHONE NUMBERS

- ① The Alternate Benefit Program can be reached at (609) 777-0887 for information about retirement or health benefits matters.
- ① For information on investment and retirement options, contact your annuity carrier. Participating ABP carriers are listed on page 10.
- ① For information about converting your life insurance, contact the Prudential Insurance Company at 1-800-262-1112 (in New Jersey only).
- ① For information about your Deferred Compensation account, contact the Deferred Compensation Plan at the Division of Pensions and Benefits at (609) 292-3605.

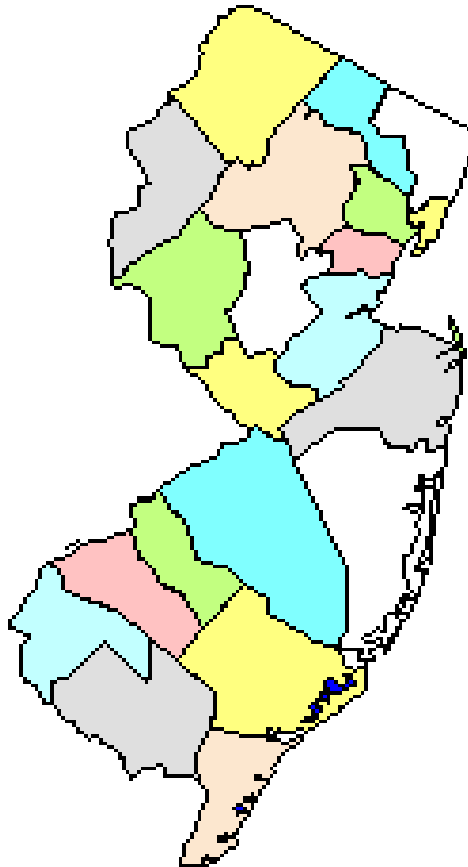
**State of New Jersey
Alternate Benefit Program Providers'
Addresses and Phone Numbers**

**Aetna Life Insurance and Annuity Company
Aetna Investment Services, Inc.
1040 First Avenue
King of Prussia, PA 19406
1-800-558-6466**

**The Travelers Insurance Company
Represented by
The Copeland Companies
Metro Corporate Campus 1
99 Wood Avenue South, Suite 301
Iselin, NJ 08830
1-800-545-0108**

**The Lincoln National Life
Insurance Company
710 Route 46, Suite 103
Fairfield, NJ 07004-1540
1-800-445-2448
ext. 1729**

**Metropolitan Life
Insurance Company
One Madison Avenue
New York, NY 10010
1-800-492-3553**



**TIAA-CREF
730 Third Avenue
New York, NY 10017-3206
1-800-842-8412**

**VALIC New Jersey
Regional Office
90 Woodbridge Center Drive, Suite 410
Woodbridge, NJ 07095
1-800-448-2542**